Medway COUNCIL
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Cabinet

25 August 2026

Gateway 3 Contract Award: for the Pre-Construction and Design Development for the Danecourt Secondary New Build Project

Portfolio Holders: Councillor Tracy Coombs, Portfolio Holder for Education
Councillor Adam Price, Portfolio Holder for Children's Services (Statutory responsibility)

Report from: Dr Lee-Anne Farach, Director of People and Deputy Chief Executive

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Procurement Overview
Total Contract Value: £1,827,185 (PCSA element only)
Project Budget: £25,000,000 (Overall Current Approved Estimated Budget)
Contract Term: 12 months

Contract Start Date: 25 August 2026
Initial Contract End Date: 20 August 2027

Summary

This report seeks permission to award the procurement of the Pre-Construction and Design Development (PCSA) for the Danecourt Secondary New Build Contract.

The Basic Need and SEND grant funding are ringfenced to Education for the purpose of providing additional school places, in addition, a commitment to borrow £16.21m for the Danecourt Special School project was approved by Cabinet on 26 August 2025 under decision 117/2025.

1. Recommendation

1.1. It is recommended that the Cabinet agrees to award the contract to the supplier named in 3.2 of the Exempt Appendix as they have been evaluated as the most economically advantageous against the consultants control option and award criteria as per the evaluation spreadsheet contained within 3.1 of the Exempt Appendix.

2. Suggested reasons for decision

2.1. The construction company has identified significant savings that can be achieved in financial and lead times. This is evidenced in their proposals and is achieved via the following: Supply chain efficiencies, economies of scale, site risks and constraints, design and pre-construction fees, speed of delivery and preliminary costs, as well as shared access and amenities/services with another new build school being built on the adjacent site by the same provider.

3. Background Information

3.1. Budget & Policy Framework

3.1.1. Proposals that flow from the School Place Planning Strategy 2022-27, its forerunners the School Place Planning Strategy 2017-22, the School Organisation Plan 2011-16 and its subsequent annual reviews are consistent with the School Organisation Plan Principles and with the Council Plan Priority outcome of ‘All children achieving their potential in schools’. The proposals will only be delivered within available funding.

3.2. Background Information and Procurement Deliverables

3.2.1. The addition of a Danecourt secondary school is a high priority project for Medway. It will create an additional 250 SEND places which will significantly reduce the need to place children in expensive independent and out of area provisions in future years.

3.2.2. The project is based on a two-stage procurement process. This initial stage will determine the pre-construction sections of the process including design development. The second stage will be for the construction contract which will follow in due course.

3.3. Parent Company Guarantee/Performance Bond Required

3.3.1. As per Gateway 1, PCG will be sought. In the event a PCG does not exist the service will defer to the JCT Retention Clause, as with the other activities.

4. Procurement Process

4.1. Procurement Process Undertaken

4.1.1. Direct award via Pagabo Framework.

4.2. Evaluation Criteria Used

4.2.1. Framework options open to us for appointing a specific contractor under a direct award.

SCAPE - Framework fee is 0.5% of the contract, charged at 0.25% PCSA stage and 0.35% main contract stage. Only option is to use NEC contracts, which is not appropriate for this project. For this reason, we have not further considered SCAPE (it is also most expensive).

NHS SBS - This framework didn't respond to enquiries and therefore were not considered further.

Southern Construction Framework (SCF) - Framework fee is 0.25% which is charged at 25% PCSA stage and 75% main contract stage.

Pagabo - Framework fee is 0.3% but this is all charged at main contract stage, with no cost for PCSA. As such if the project does not proceed beyond PCSA Stage, there is no framework fee.

Framework	Lot / Iteration	Direct Fee %	External Access Fee %	Total %	Comment
Pagabo Major	Lot 3 (£30m+) JCT & NEC4	2.50%	0.30%	2.80%	External Access Fee paid direct by **Client** to Framework Provider
SCF	GEN 5 NEC4 (& JCT)	5.00%	0.25%	5.25%	External Access Fee paid direct by **Contractor** to Framework Provider

4.3. Contract Management

4.3.1. Contract management will be the responsibility of the Strategic Head of Education, Planning and Access and the Education and SEND Capital Programme Lead.

5. Risk Management

Risk	**Description**	**Action to avoid or mitigate risk**	**Risk rating**
Reputation	The Council has a statutory duty to ensure that sufficient school places are available to meet pupils' needs. Providing the school places outlined in this report will support the Council to meet this duty.	To provide these places by September 2029.	B2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	Project could exceed budget estimates due to rising construction costs, supply chain issues, unknown site constraints, unforeseen wider economic events.	Obtain detailed surveys and costed feasibilities. Regular budget monitoring and escalation of any risks at the earliest opportunity. Ongoing value engineering across the whole project.	B2

For risk rating, please refer to the following table:

Likelihood	**Impact:**
A Very likely B Likely C Unlikely D Rare	1 Critical 2 Major 3 Moderate 4 Minor

6. Service Implications

6.1. Financial Implications

6.1.1. This project will be funded through the Children and Adults capital programme, which will be made up of central government grants and S106 receipts. Specifically, the funding for this project will be met from central government high needs capital grant and pre-approved borrowing £16.21 million as per Cabinet approval on 26th August 2025 under decision 117/2025.

6.1.2. The cost of borrowing £16.21 million over 50 years is currently estimated to be £911k per annum, equating to a total borrowing cost of approximately £45,57m. If additional High Needs grant funding becomes available and reduces the borrowing to £10m, the cost would be estimated at £562k per year, or £28,11m in total. If the need to borrow reduces to £5 million, the cost would be £281k per year, or £14,06m in total.

6.1.3. For this procurement of £1.8m, it is agreed with finance that it will be funded from grants already received rather than borrowing. This will mean that there with be no additional interest costs arising from this specific stage of procurement.

6.1.4. The current approved budget for this project is £25m and is awaiting approval for further funding from education SEND grant capital funding, via the Annual Review of the School Place Planning Strategy 2026.

6.2. Legal Implications

6.2.1. This procurement activity was above the Find a Tender Service (FTS) threshold and therefore an FTS notice was required.

6.2.2. The procedure gives a high degree of confidence that the Council's primary objectives for procurement are met, as required by Rule 2.2 of the Council's Contract Procedure Rules ("the CPRs").

6.2.3. Under the Council's Contract Procedure Rules, the procurement is a Process 3 procurement (Rule 18), and the process set out in this report meets the requirements for such procurements.

6.2.4. Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.

6.2.5. The process described in this report complies with the Public Contracts Regulations 2015 and Medway Council's Contract Procedure Rules.

6.2.6. This report has been presented as a Process 3 medium/high risk procurement, and therefore the Monitoring Officer, in consultation with the Procurement Board will therefore set the risk and reporting stages for the remainder of the procurement process for Gateway 4.

6.3. TUPE Implications

6.3.1. There are no TUPE implications associated with this project.

6.4. Procurement Implications

6.5. As per the Contract Procedure Rules: All requirements above £25,000.00 must be advertised on the Kent Business Portal and over £25,000.00 on government's Contracts Finder

6.6. The FTS threshold value for goods & Services (207,720.00 inclusive of VAT), which this project is clearly going to be above. Therefore, Category Management have agreed with the service area in light of the market conditions, knowledge and previous experience that a direct award to the provider named in the exempt appendix via the Pagabo Major Projects framework is the preferred procurement route.

6.7. ICT Implications

6.7.1. There are no ICT implications associated with this report.

7. Analysis of recommendations

7.1. It is recommended that the Council awards the PCSA contract to the supplier named in 3.2 of the exempt appendix.

7.2. During the costing of the PCSA it has been identified that there are potential savings of £825,000 to £1,368,000 for the whole project. This is evidenced in their Procurement Options document and is achieved via the following:

Supply chain efficiencies, economies of scale, site risks and constraints, design and pre-construction fees, speed of delivery and preliminary costs, as well as shared access and amenities/services.

7.3. The named supplier has already been appointed by the DfE to build the Inspire School in the same location, as well as the efficiencies identified above, there will also be the added benefit of a co-ordinated approach to the building of both schools at the same time which would then significantly reduce the lead time on the delivery of the Danecourt Secondary School.

7.3.1. Reducing the lead time of this project is particularly important given the current growing capacity issue and the long-term savings due to be realised once Danecourt Secondary is open. It is estimated that running the projects concurrently will reduce the delivery time by at least 2 years, with another contractor we would need to wait for the Inspire School to be finished before we could start work on site.

7.3.2. Secondary EHCP numbers are expected to rise by 343 over the next five years; currently 420 pupils are placed in independent schools in and outside of Medway at an annual cost of £21.8m. Without extra capacity, the majority of additional pupils will need to be placed in expensive out-of-area and independent provision, with costly and distant home-to-school transport.

7.3.3. The expansion into secondary provision at Danecourt will provide around 250 places. The Danecourt expansion is expected to deliver future cost avoidance of approximately £12m per annum once provision is operating at full capacity. Taking into consideration the cost of borrowing (6.1.2) the net annual saving is estimated at approximately £11m per annum.

7.4. Danecourt will be opened in a phased approach, with one year group admitted at a time. This means that it will take 6 years to fully appreciate all savings for 250 students. By running this project concurrently with Inspire, we will be able to open Danecourt at least two years earlier.

7.4.1. On average, home-to-school transport costs approximately £10,038 per year for a pupil placed out of area, compared with £6,853 per year for a pupil placed within area. This represents a saving of £3,185 per pupil per year.

7.4.2. At full capacity, the additional local places provided through the Danecourt expansion could generate transport savings of approximately £796,250 per annum.

7.4.3. By accelerating the delivery of the Danecourt Secondary project by two years, these savings can be realised earlier. Across the six-year phased admissions period, this would result in an estimated cumulative transport saving of £1.4 million.

Cost of Travel, per year/pupil								
In area placement			6,853					
Out of area placment			10,038					
Total saving/pupil/year			**3,185**					
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	
Yr7	**40**	127,400	127,400	127,400	127,400	127,400	127,400	
Yr8	**40**		127,400	127,400	127,400	127,400	127,400	
Yr9	**40**			127,400	127,400	127,400	127,400	
Yr10	**40**				127,400	127,400	127,400	
Yr11	**40**					127,400	127,400	
6th form	**50**						159,250	
		127,400	254,800	382,200	509,600	637,000	796,250	2,707,250
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	
Yr7	**40**			127,400	127,400	127,400	127,400	
Yr8	**40**				127,400	127,400	127,400	
Yr9	**40**					127,400	127,400	
Yr10	**40**						127,400	
Yr11	**40**							
6th form	**50**							
		-	-	127,400	254,800	382,200	509,600	1,274,000
								1,433,250

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Appendices

Exempt Appendix 1 – Financial Analysis

Background Papers

[Gateway 1 BN and SEND Capital Programme 2025-30, Cabinet 23 September 2025]
[Annual Review of the School Place Planning Strategy 2025, Cabinet 26 August 2025]